

September 17, 2008

VIA ELECTRONIC FILING

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, D.C. 20554

Re: CC Docket No. 96-45
WC Docket No. 05-337
NOTICE OF EX PARTE PRESENTATION

Dear Ms. Dortch:


On September 16, 2008, F.J. Pollak, President and Chief Executive Officer, TracFone Wireless, Inc., Cesar Conda of Navigators, LLC, and I met with Amy Bender, Acting Legal Advisor to Chairman Kevin J. Martin. During the meeting, we discussed with Ms. Bender TracFone's proposal to base Universal Service Fund contributions by providers of prepaid wireless services on a USF By the Minute plan in the event that the Commission establishes a universal service contribution methodology based on working telephone numbers.

We provided Ms. Bender with several documents which are included with this letter. The first document is a description of TracFone's USF By the Minute proposal. The second document is a report issued by CTIA-The Wireless Association® captioned "CTIA's Wireless Subscriber Usage Report." This report was released in May 2008 and contains year-end results of CTIA's semi-annual wireless industry survey. We directed her attention to Table 17 of that report which indicates that the national average minutes of use per post-paid wireless customer was 826 minutes for the reporting period. That is the number used in the example of TracFone's USF By the Minute plan description in its presentation document.

Ms. Marlene H. Dortch
September 17, 2008
Page 2

Pursuant to Section 1.1206(b) of the Commission's rules, this letter and accompanying materials are being filed electronically. Please direct any questions to undersigned counsel for TracFone Wireless, Inc.

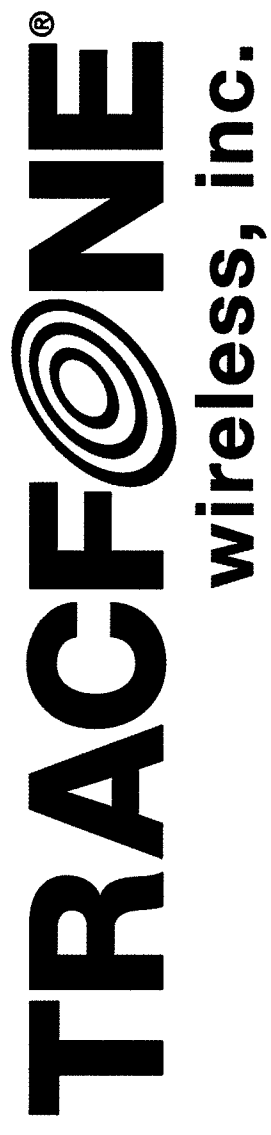
Sincerely,

A handwritten signature in black ink, consisting of a large, stylized 'M' followed by a long, horizontal, slightly wavy line.

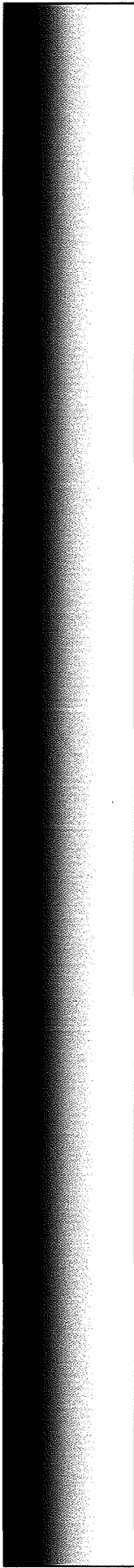
Mitchell F. Brecher

cc: Ms. Amy Bender

Attachments



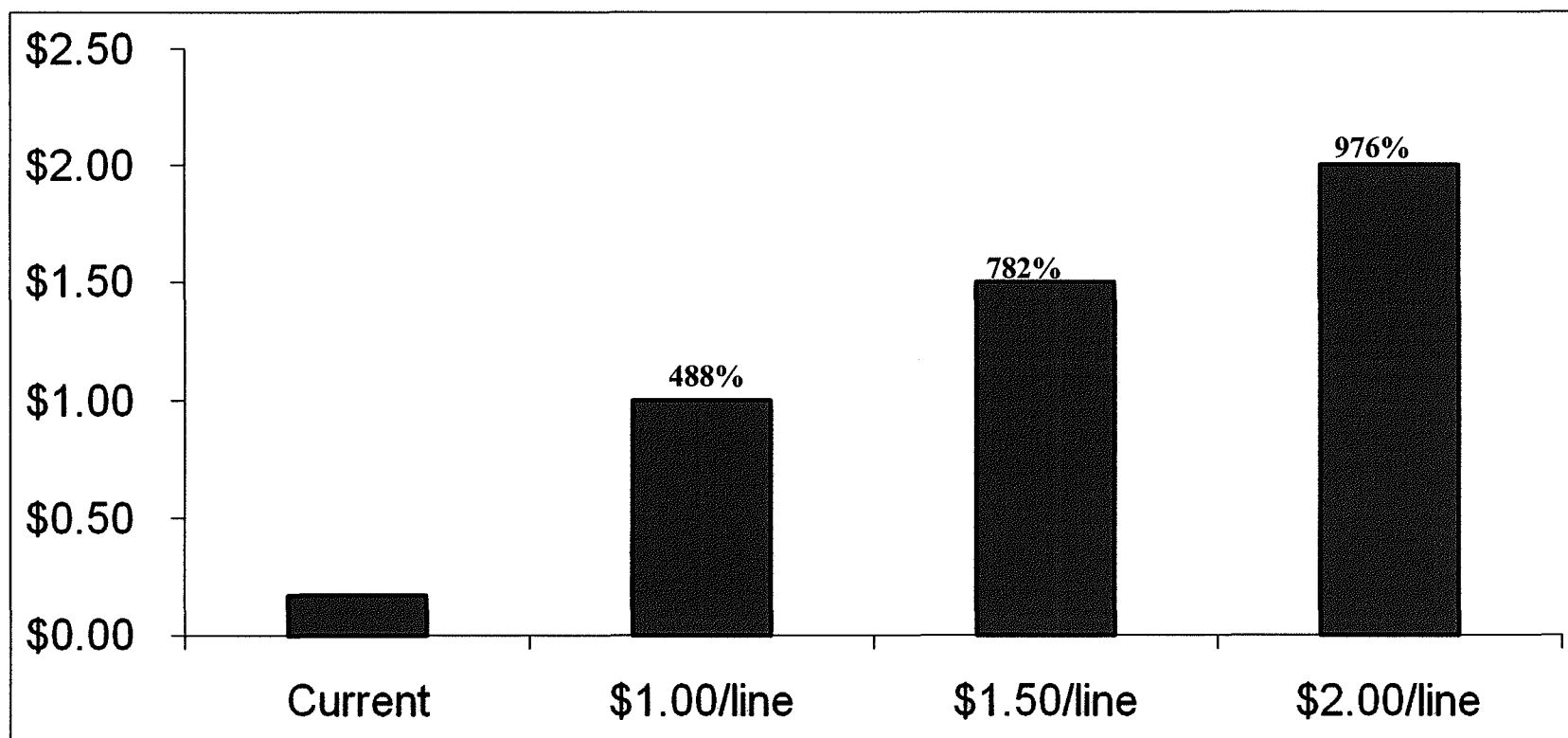
**USF Presentation
September 2008**



About TracFone

- TracFone is the largest provider of prepaid wireless service in the U.S. today serving over 10 million customers in all 50 states, Puerto Rico and the U.S. Virgin Islands.
- TracFone has three (3) brands today:
 - TracFone: Phones start under \$10 and customers can pay \$20 every 3 months to maintain service. Low-volume users – low cost to get and maintain service
 - NET10: Every minute is \$0.10 with unlimited carryover. Texting is \$0.05. Unlike most others, there are no tricks or gimmicks and no other daily or monthly charges.
 - Safe-Link: New Lifeline program. Free phones and free monthly minutes for Lifeline-qualified households in select states. Operational in TN and FL so far.
- TracFone does not own a network but uses the networks of AT&T, Verizon Wireless, T-Mobile, Alltel, US Cellular and others.
- Prepaid wireless service is ideal for people who cannot, or do not want to commit to spend \$40 or more a month on wireless service.
 - Many prepaid customers are low to middle income - 50% of TracFone customers earn less than \$25,000 per year
- With prepaid, there are no bills, no contracts, and no term or volume commitments. The service is not generally a “monthly” service. Imposition and recovery of fees and taxes are very problematic.

Average Monthly USF Cost per TRACFONE Subscriber



If the FCC decides to adopt a flat, numbers-based or connections-based USF tax and does not accommodate low-volume users like those served by TRACFONE, those users would be hit HARD. A \$1.00 fee would increase current contributions by almost 500%!

USF By Minute Plan

- A change to Numbers would have a devastating impact on TracFone and other prepaid providers and their customers.
- To recognize this problem and to develop a fair, equitable and competitively neutral method to impose USF contributions on prepaid wireless, TracFone has created and proposed to the FCC in June 2007 the following “USF By Minute” numbers plan for prepaid wireless.
- Carriers will be given the option to submit USF payments for their pay-as-you-go prepaid customers in the following manner:
 1. The current Numbers Fee would be divided by the average postpaid wireless customer minutes of use (as reported semi-annually by CTIA). This would create a “prepaid minute factor”
 2. The carrier would apply that factor against all of its prepaid minutes of use each month and remit USF fees according to this formula
 3. No carrier would be required to remit fees in excess of the current, numbers fee under this plan (that would be the cap)

By Minute Plan - Example

- According the CTIA, the average postpaid customer used 826 minutes for the period ending December 2007 (the most recent report).
- Assume that the USF Numbers Fee is \$1.50 per month per number or connection:
 1. Divide \$1.50 by 826 minutes to calculate minute factor = (\$0.00181598)
 2. Assume the prepaid carrier's pay-as-you-go customers generated 1 billion minutes during the month . Assume they have 10 million customers.
 3. The prepaid carrier would remit 1 billion minutes x \$0.00181598 or \$1,815,981 in USF payments that month.
 4. The average monthly contribution per customer would be around \$0.18, which is similar to current contribution levels based on current interstate revenues for customers who generate this level of monthly usage.
 5. Note: In no event would the contribution be over \$1.50 per customer (that would be the maximum cap).

Summary

- Chairman Martin has said publicly that prepaid wireless service would need to be given an accommodation in the event a numbers-based USF fee were adopted. In May 2007, in remarks at a USF By the Numbers Coalition conference, Chairman Martin noted the special circumstances of prepaid wireless providers and low income consumers and said that the FCC must address contribution solutions which would enable prepaid wireless to contribute in a reasonable manner if a numbers-based methodology is adopted.
- Since prepaid wireless service is not a monthly, billed service and since minutes can be used as quickly or as slowly as customers choose, flat monthly fees are not an appropriate way to obtain USF contributions on such services. In addition, there is no available mechanism for collection of monthly fees on prepaid (non-billed) services, such as prepaid wireless services.
- TracFone's USF By Minute Plan is a fair, equitable and competitively neutral method for converting a numbers fee into a minute charge that would not cause a drastic, material increase in current contribution levels for prepaid wireless providers and their customers.
- Over 1.5 million prepaid wireless customers and many consumer groups have written letters to the FCC and Members of Congress urging fair treatment of prepaid wireless if there is a change in USF funding methodology

CTIA Public Affairs

A Department of CTIA—The Wireless Association®

CTIA's Wireless Subscriber Usage Report

***A Special Report from CTIA based on
CTIA's Semi-Annual Wireless Industry Survey
Results***

Year-End 2007 Results

RELEASED MAY 2008

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Table of Contents

Table of Contents	2
Table of Figures	3
Table of Charts	4
Section 1.0 Introduction.....	5
<i>State of the Industry</i>	5
Section 1.1 Highlights of the Year-End Survey.....	7
Section 1.2 Break-Outs of the CTIA Survey Results	8
Section 2.0 Revenue-Generating Subscribers.....	9
Section 2.1.1 Estimated Subscribers.....	17
Section 3.0 Local Calls	22
Section 3.0.1 Roamer Calls.....	26
Section 3.1 MOU Trend Analysis.....	31
Section 3.2 Traffic Balance.....	40
Section 3.3 SMS / Text and MMS Traffic Volumes	41
Section 4.0 Background of CTIA's Semi-Annual Wireless Industry Survey	43
<i>Survey Method</i>	44
<i>Basis for CTIA's Subscriber Estimate</i>	44
Appendix – Footnotes.....	47

Table of Figures

Table 1: Average Reported Subscribers	10
Table 2: Intra-Period Growth per Reported Subscribers	12
Table 3: Inter-Period Growth per Reported Subscribers	13
Table 4: Year-to-Year (June-to-June) Growth per Reported Subscribers	13
Table 5: Year-to-Year (December 1985 to December 2007) Increases – Reported Subscribers.....	14
Table 6: Year-to-Year (June 1985 to June 2006) Increases – Estimated Subscribers.....	21
Table 7: Year-to-Year (December 1985 to December 2007) Increases – Estimated Subscribers	21
Table 8: Number of Local Billable Calls and Local Billable MOUs.....	23
Table 9: Average Length of Local Call	25
Table 10: Number of Roaming Billable Calls and Roaming Billable MOUs.....	26
Table 11: Average Length of Roaming Call	28
Table 12: Local, Roaming MOUs as a Percent of Total MOUs	29
Table 13: Calendar Year Annualized MOU Data.....	32
Table 14: Reported Industry MOU Results – Six-Month Intervals	33
Table 15: Average Monthly MOUs - General.....	35
Table 16: Average Monthly MOUs - Selected Sort.....	37
Table 17: Average Postpaid MOUs per Postpaid Subscriber – Select Sort	39
Table 18: Traffic Balance Snapshots.....	40

Table of Charts

Chart 1: Average Subscribers.....	11
Chart 2: Reported Wireless Subscribership: June 1985 – December 2007	16
Chart 3: Estimated Wireless Subscribership: June 1985 –December 2007	19
Chart 4: Estimated and Reported Subscribership: June 1985 – December 2007	20
Chart 5: Local MOUs as a percent of Total MOUs	30
Chart 6: Roaming MOUs as a percent of Total MOUs	31
Chart 7: Total Annual MOUs 1991 - 2007	32
Chart 8: Total MOUs per Six-Month Survey Period June 1992 – December 2007.....	34
Chart 9: MOUs per Subscriber	36
Chart 10: MOUs per Subscriber (Select Sort).....	38
Chart 11: Average MOUs per User Type - Postpaid & Blended	40
Chart 12: Monthly SMS / Text Traffic Volumes: June 2000 – December 2007	42
Chart 13: Six-Month MMS Traffic Volume	43

As previously noted, these figures can also be used, in conjunction with the average reported subscriber figures previously derived, to determine

approximate total MOUs per subscriber per six-month period and per month. A table providing such information follows.

Table 15: Average Monthly MOUs - General				
Survey Period	Total Reported Billable MOUs (Local and Roaming)	Average Reported Subscribers	MOUs per Reported Subscriber 6 Month Figures	MOUs per Reported Subscriber Monthly Figures
Jun-93	8,118,112,222	11,195,062	725	121
Dec-93	11,042,862,055	13,154,439	839	140
Jun-94	12,460,449,648	16,371,077	761	127
Dec-94	14,489,550,591	20,227,897	716	119
Jun-95	17,021,040,684	24,564,479	693	115
Dec-95	20,746,082,039	28,950,162	717	119
Jun-96	23,605,016,721	33,177,499	711	119
Dec-96	28,365,183,455	37,932,137	748	125
Jun-97	28,343,684,855	43,559,728	651	108
Dec-97	34,579,397,600	49,191,970	703	117
Jun-98	38,392,165,259	54,849,030	700	117
Dec-98	50,618,273,378	62,061,911	816	136
Jun-99	64,122,381,178	68,649,711	934	156
Dec-99	83,603,577,602	75,120,441	1,113	185
Jun-00	111,350,283,893	83,919,047	1,327	221
Dec-00	147,404,575,234	96,177,594	1,533	255
Jun-01	197,461,159,508	104,875,550	1,883	314
Dec-01	259,503,005,717	113,762,146	2,281	380
Jun-02	292,500,881,300	122,358,425	2,391	398
Dec-02	327,232,951,341	127,645,620	2,564	427
Jun-03	380,540,921,550	135,629,561	2,806	468
Dec-03	449,335,930,248	147,686,558	3,043	507
Jun-04	516,117,318,696	156,990,279	3,228	548
Dec-04	585,174,443,040	166,969,773	3,505	584
Jun-05	675,093,728,284	180,468,996	3,741	623
Dec-05	820,353,241,698	193,134,883	4,248	708
Jun-06	857,645,545,360	206,584,440	4,152	692
Dec-06	940,716,039,965	219,569,626	4,284	714
Jun-07	1,014,363,042,053	230,391,901	4,403	734
Dec-07	1,104,283,435,898	239,452,020	4,612	769

*Explicitly includes prepaid MOUs from 1999 forward

The figures reported above demonstrate the long-suspected decline in average MOUs per month per subscriber during the early to mid-1990s had some *apparent* basis. However, they also demonstrate that the decline flattened out, and reversed itself towards the end of the decade. The precise nature of the trend was difficult to determine with respect to the earliest of past periods – once again, because of the incomplete nature of the responses to the MOU-

related questions. A selective sort of the recently-submitted data, limited to those respondents who provided all of the component information (beginning and ending subscriber numbers, and total billable minutes), provides overall subscriber MOU numbers which generally parallel the overall industry figures generated by the total subscriber data, differing by only a nominal amount for most periods.

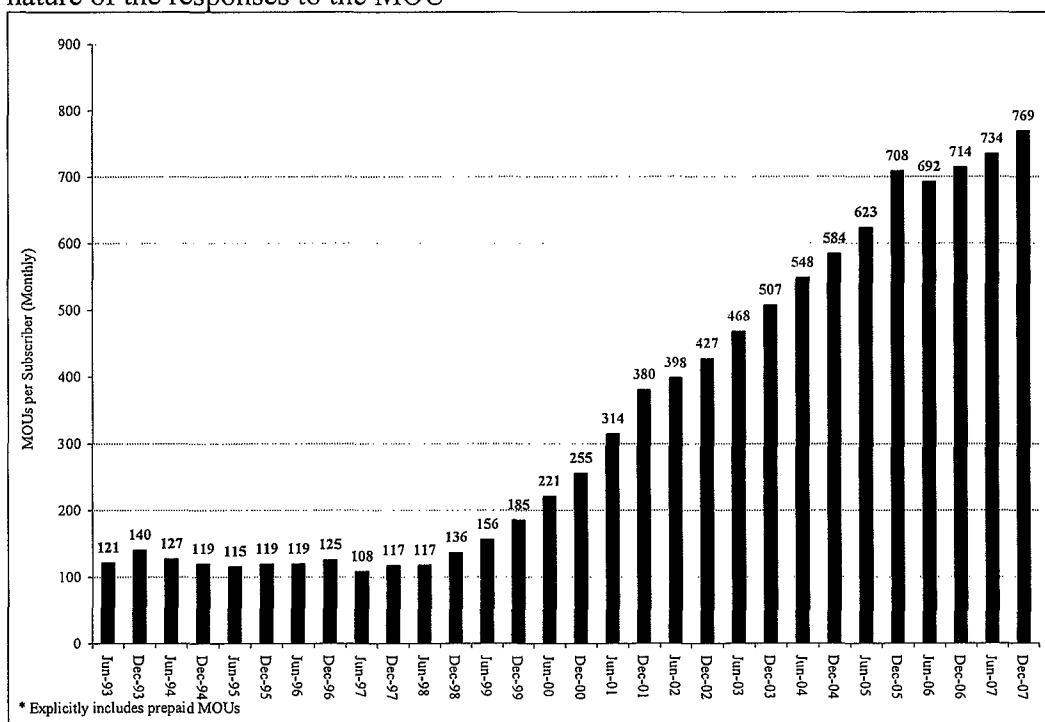


Chart 9: MOUs per Subscriber

Table 16: Average Monthly MOUs - Selected Sort - Prepaid And Postpaid				
Survey Period	Total Reported Billable MOUs (Local and Roaming)	Average Reported Subscribers	MOUs per Reported Subscriber 6 Month Figures	MOUs per Reported Subscriber Monthly Figures
Jun-97	28,190,460,219	42,654,453	661	110
Dec-97	34,577,799,038	47,737,437	724	121
Jun-98	38,210,763,111	52,211,883	732	122
Dec-98	50,612,062,892	59,164,538	855	143
Jun-99	64,122,381,178	61,383,649	1,074	174
Dec-99	83,603,577,602	70,518,470	1,186	198
Jun-00	111,350,252,857	81,529,682	1,366	228
Dec-00	147,404,575,234	92,334,605	1,596	266
Jun-01	197,461,159,508	102,720,227	1,922	320
Dec-01	259,503,005,717	112,775,139	2,301	384
Jun-02	292,500,881,300	121,018,830	2,417	403
Dec-02	327,232,951,341	127,596,238	2,565	428
Jun-03	380,540,921,550	133,797,761	2,844	474
Dec-03	449,335,930,248	142,905,540	3,144	524
Jun-04	516,117,318,696	153,794,020	3,356	559
Dec-04	585,174,443,040	163,725,635	3,574	596
Jun-05	651,304,467,856	157,447,541	4,137	689
Jun-05	651,304,467,856	157,447,541	4,137	689
Dec-05	816,327,324,349	183,989,449	4,437	740
Jun-06	855,171,936,114	197,246,733	4,336	723
Dec-06	936,731,651,841	210,000,810	4,461	743
Jun-07	1,011,111,281,192	225,845,773	4,477	746
Dec-07	1,104,283,435,898	235,311,405	4,693	782

* Explicitly includes prepaid MOUs from 1999 forward

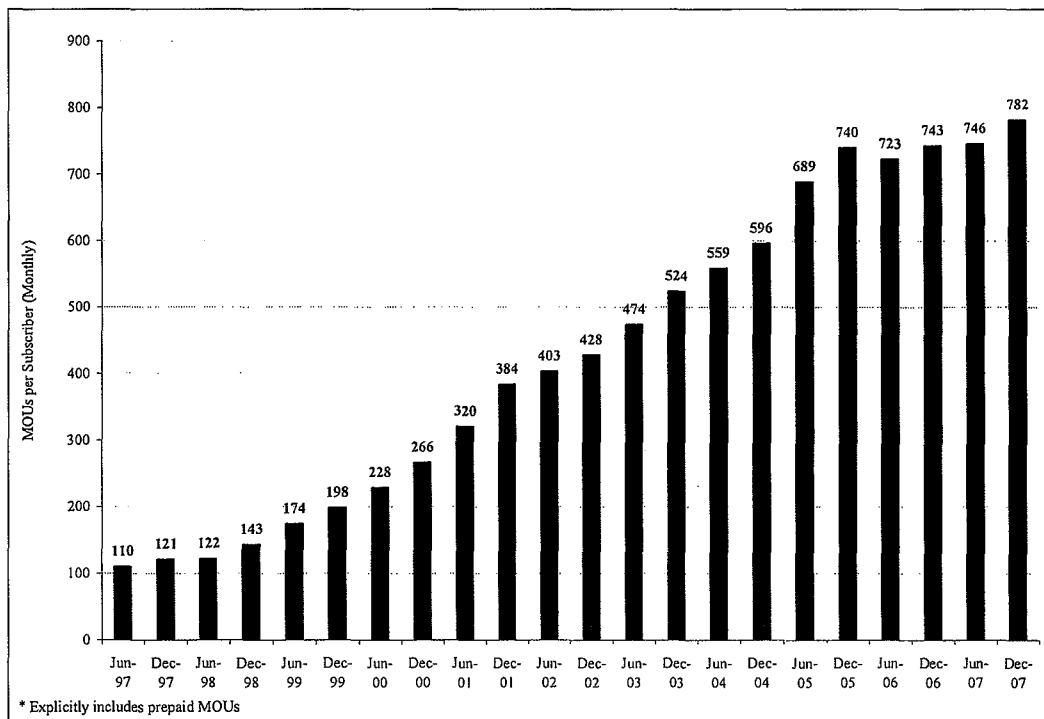


Chart 10: MOUs per Subscriber (Select Sort)

According to this select sort, from December 2000 to December 2001, monthly MOUs per subscriber increased 44.4 percent. From December 2001 to December 2002, monthly MOUs per subscriber increased 11.5 percent. From December 2002 to December 2003, monthly MOUs per subscriber increased 22.4 percent – almost double the increase in the prior year. From December 2003 to December 2004, monthly MOUs per subscriber increased 13.7 percent. From December 2004 to December 2005, monthly MOUs per subscriber increased 24.7 percent. From December 2005 to December 2006, monthly MOUs per subscriber increased by a nominal 0.4 percent, in large part as a result of incomplete responses in the December 2006 timeframe. But from December 2006

to December 2007, monthly MOUs per subscriber rose 5.3 percent. On a June-to-June basis, monthly MOUs increased 20.3 percent June 2000 to June 2001, 25.9 percent June 2001 to June 2002, 17.6 percent from June 2002 to June 2003, 17 percent from June 2003 to June 2004, 23.4 percent from June 2004 to June 2005, 4.9 percent from June 2005 to June 2006, and 3.2 percent from June 2006 to June 2007.

The volume of usage per subscriber appearing in the above table, however, includes both prepaid and postpaid subscribers and prepaid and postpaid minutes of use. The average usage appearing in the above table therefore may be dampened, since prepaid subscribers generally use fewer minutes. If we extract the prepaid subscriber base and prepaid

MOUs from the overall total subscriber base of the traditional licensees and their associated reported MOUs, a postpaid-only measurement of subscriber usage for these companies would be possible. The following table and chart indicate the

results of this calculation for the license-holding companies providing all components – total beginning and ending subscribership, beginning and ending prepaid subscribership, and local, roaming and prepaid minutes.

★

Table 17: Average Postpaid MOUs per Postpaid Subscriber – Select Sort

	Beginning Total Subscribers	Ending Total Subscribers	Average Total Subscribers	Derived Average Postpaid Subscribers	Average Postpaid MOUs
Dec-01	107,155,330	118,394,948	112,775,139	105,697,072	405
Jun-02	117,458,966	124,578,693	121,018,830	113,471,024	424
Dec-02	123,444,713	131,748,064	127,596,389	120,103,636	449
Jun-03	129,954,490	137,641,032	133,797,761	126,111,361	496
Dec-03	138,037,168	147,773,911	142,905,540	133,835,094	552
Jun-04	148,918,505	158,669,534	153,794,020	143,386,389	590
Dec-04	157,050,242	170,401,027	163,725,635	151,087,368	638
Jun-05	152,353,548	162,541,534	157,447,541	144,593,471	736
Dec-05	176,920,175	191,049,722	183,984,949	171,301,034	781
Jun-06	190,761,897	203,731,568	197,246,733	182,414,168	757
Dec-06	204,002,575	215,999,044	210,000,810	193,357,340	780
Jun-07	221,163,456	230,528,089	225,845,773	207,703,419	788
Dec-07	233,120,040	245,783,999	239,452,020	215,118,505	826